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AN INTERNATIONAL COMMISSION ON THE COST OF LIVING

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The world-wide rise in the cost of living is leading to many official as well as unofficial reports on the subject. Within two years there have appeared reports by the state of Massachusetts, the Dominion of Canada, the Senate of the United States, and the Department of Labor of France. The British Board of Trade is believed to be planning further studies in addition to the elaborate report recently issued on workingmen's incomes and expenditures in various countries. The government of India and possibly those of Germany, Austria and Italy will make similar reports.

It is now proposed that there shall be appointed an International Commission on the Cost of Living to make a still wider study based on the national studies which have been made or are now in progress. The object of the proposed international commission is:

1. To gather records of all available *facts* as to recent changes in wages, cost of living and prices generally throughout the world, and to make international comparisons.
2. To secure evidence as to the main *causes* and *effects* of these changes and of international differences.
3. To discuss possible *remedies*.

The idea of such a commission has apparently occurred independently to many different people. In view of the fact that the present writer has been commonly called the originator of the idea, it is but fair to point out that he was anticipated at least a year by Professor Stephen Bauer of Basle. Prior to that Dr. J. Pease Norton wrote an article in Moody's Magazine, September, 1907, recommending the appointment of a National Gold Commission whose work should embrace "coöperation with commissions of other countries; for this problem [the purchasing power of money] requires international action for its solution." The propriety of such a commission at this time is almost self-evident and it is, therefore, not surprising to find that the proposal

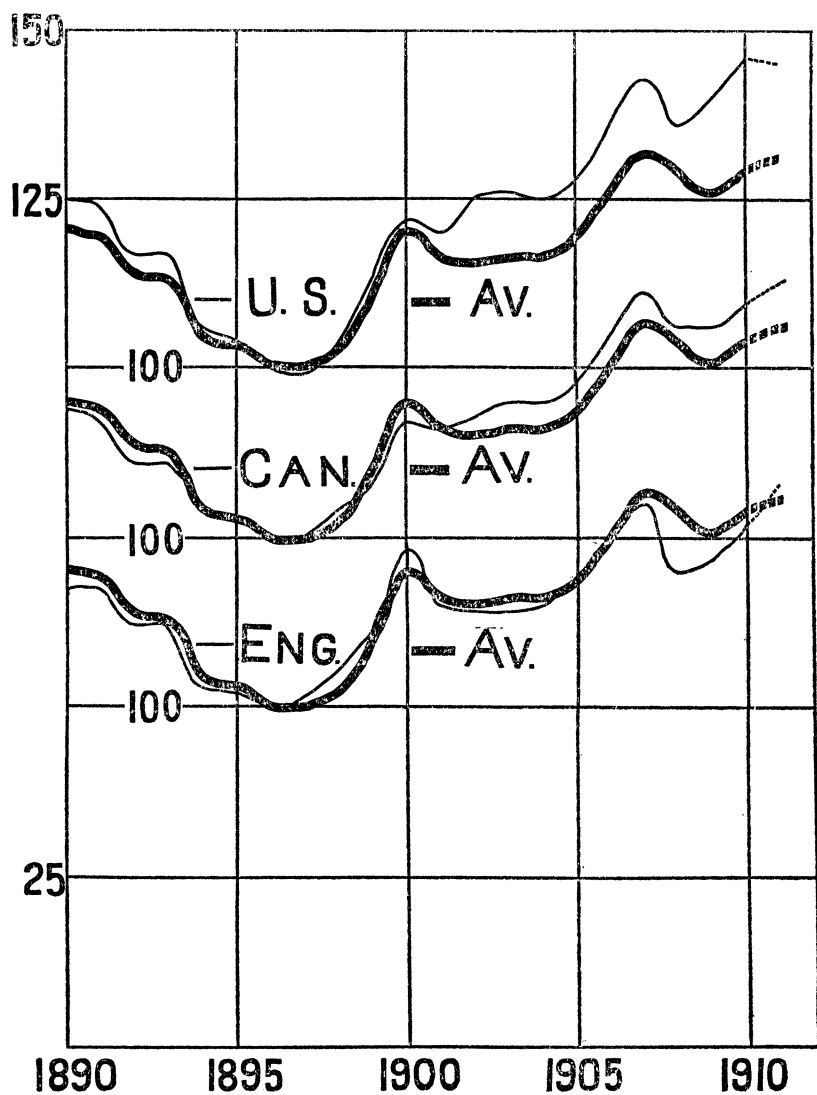
is being eagerly and spontaneously pressed from many directions. It is the natural outgrowth of the deep-seated unrest which has been expressing itself in many ways: in blame of all sorts of persons and conditions for increasing the cost of living, in resentment against taxation, in strikes, in bread and meat riots, and in socialistic agitation.

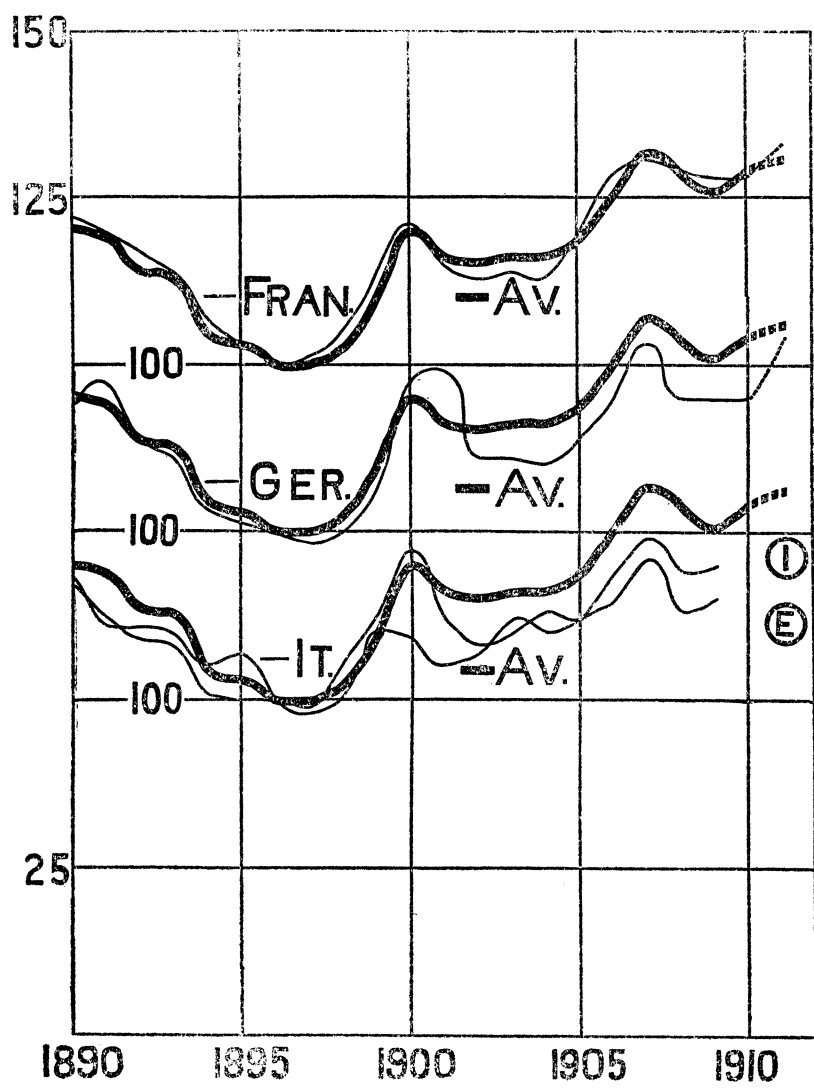
It might at first glance seem that local investigations and local efforts were sufficient to cope with these problems. But further consideration shows it to be otherwise, for the reason that the problem is essentially international and not local; that the facts as to the rise in the cost of living are extremely similar in different countries; that, therefore, the causes and effects of the rise are probably similar; and that remedies which go to the root of the matter, if any remedies are available, must be of an international character. It is almost as absurd for any one particular locality or state, on the basis of its own experience, to grapple with the problem of the world-wide rise in the cost of living as it would be for villagers on the Bay of Fundy to attempt to prevent the rise of the tides. They experience this rise, but its causes lie far beyond their vision or control.

Moreover the problems to be solved are such that no agency can deal with them properly except an official international commission—official for the reason that only official machinery such as the Bureau of Labor of the United States can do the work required; and international for the reason that the inquiry must be world-wide and the methods uniform. Only such a commission could produce the effect on public opinion which would be necessary to satisfy the people of all countries of the correctness of the conclusions reached and to allay the growing unrest.

It is interesting to observe that it is precisely those who have investigated the subject in connection with local investigations and efforts, who are now most convinced of the necessity of an international inquiry. This is true, for instance, of those chiefly concerned in the inquiries by the Senate and by Massachusetts, Canada, Germany, France, Italy, and India.

The project has been formally endorsed by the *Verein für Sozialpolitik* as well as by many of its most influential members individually and by other foremost economists in Europe, such as Marshall of Cambridge, Leroy-Beaulieu of Paris, Schmoller of Berlin, Böhm-Bawerk of Vienna, and Pareto of Lausanne; by fi-





nancial and other editors, such as Hirst of the *London Economist*, Paish of the *London Statist*, Keynes of the *Journal of the Royal Economic Society*, Ogden of the *New York Evening Post*, Barker of the *Philadelphia North American*; by business men, such as von Gwinner, Director of the Deutsche Bank of Berlin, Morawitz, President of the Anglo-Austrian Bank at Vienna, Hepburn and Vanderlip of New York, and the presidents of a dozen leading American railways; by statesmen, such as Luzzatti of Italy, Meyer of Austria, Baron Sakatani of Japan, Fontaine of France, Landry of the French Chamber of Deputies, von Berlepsch of Prussia; Secretaries Nagel, MacVeagh, and Stimson of this country, and Senators Burton, Chamberlain, Owen, Johnson, Smoot, and various members of the House of Representatives.

The first and fundamental work of the proposed commission would be to ascertain the exact facts as to the rise of prices in different countries. At present, judging from consular reports, newspaper statements and such scanty statistics as are available, it would appear that the rise in prices has been felt in Canada, England, France, Belgium, Holland, Germany, Austria, Switzerland, Italy, Russia, India, and Japan.

Diagrams¹ have been constructed showing a striking similarity in the rise of prices of different countries.

The agreement between the rise in any one particular country with the average rise in all countries is extremely close and probably would be still closer if the same system of statistics were used in all. That this is true may be reasonably inferred from the fact that two different statistical methods applied to the same country often show as great differences as the differences found among

¹ The dark curves are in each case the average of American, Canadian, English, French, German and Italian curves (that for Italy being itself the average of two curves, one for imports and the other for exports). Thus (except in the case of Italy) one curve for each country is placed by itself so as alone to be compared with the average for all. In all cases the scale is changed so as to make 1896 the base year (i.e., with an index number of 100 per cent). The sources of the figures are: for the United States, *Bulletin of the Bureau of Labor*, (No. 87, March, 1910); for Canada, *Wholesale Prices in Canada, 1890-1909, Special Report* by R. H. Coats (Government Printing Bureau, 1910, p 11); for England, *Journal of the Royal Statistical Society* (March issue of each year); for France, *Bulletin de la Statistique Générale de la France* (Tome I, Fascicule 1, 1911, p. 68); for Germany, the same references as for France (also Conrad's *Jahrbücher*); and for Italy, *La Curva dei Prezzi Delle Mercie in Italia, Negli Anni 1881-1909*, pp. 28 and 30.

different countries. For instance, the statistics of price movements in Canada and the United States are not as dissimilar as are those of Sauerbeck and the Board of Trade for England or of the "Hooker" and the "Hamburg" statistics for Germany.²

One of the most obvious and immediate benefits, therefore, of an international commission on the cost of living would be to standardize statistics so as to make accurate international comparisons possible. For the silver and paper standard countries in particular there are, apparently, no well authenticated figures. It is significant that in a general way such figures as are available for India show a greater parallelism to those in gold standard countries, both before 1873 when gold and silver were joined by the bi-metallic tie and since 1893 when India has had a "gold exchange standard," than in the intervening period of 20 years when the money of India was temporarily divorced from the gold standard.

But the subject of the cost of living includes more than simply price statistics. In fact there are two distinct problems according to whether we mean by the "rise in the cost of living" a mere rise in prices, or a rise in prices more rapid than the rise in incomes. At present the whole world is distressed and puzzled as to the situation. There is dispute even as to the facts, some persons going so far as to maintain that there has been no real rise in prices; others that all classes and especially the laboring classes are becoming impoverished and undernourished. We need to know to what extent there has been a real rise in prices and to what extent this has outpaced the rise in wages; to what extent the wage-earner, the salaried man, the creditor classes and savings bank depositors have suffered, and whether there has been a mere transfer of well-being from one class to another, or a real loss to all. We need also a thorough investigation of causes. At present the disagreement among investigators is striking. The Senate report was not unanimous and the findings of experts abroad are extremely diverse.

Most of the reports and most of the experts find that the great production of gold has been an effective factor in raising prices. Mr. Paish, editor of the London *Statist* maintains that a chief cause of the rise of prices is the restoration of credit throughout the world. Others have emphasized the factor of restored credit

² R. H. Hooker, "The Course of Prices at Home and Abroad," *Journal of the Royal Statistical Society*, December, 1911; diagrams, p. 7.

in its aspect of increasing the use of checks as a substitute for money. It is also said that increased banking facilities enable farmers to hold crops and market to the best advantage. The present writer has attempted to show that in the United States the two causes above mentioned, gold and credit, are by far the most important.³

In France, according to a newspaper report, drought with the consequent failure of crops has been an important factor. Some related causes often alleged are: increased cost of production due to the fuller occupation of public lands through the growth of population and the consequent diminishing returns from agriculture; the progressive exhaustion of our natural resources, or the reduction of soil fertility; the "increased cost of production of farm products because of higher land values and wages"; reduced production of food products and increased consumption; the longer hauls now necessary as production is pushed into regions not readily accessible to transportation facilities (this is particularly emphasized in the case of lumber); the concentration of population in cities or the immigration of population to food-consuming localities from food-producing localities. Another cause is found in the increase of middlemen and middlemen's charges; the substitution of modern methods of soliciting business by commercial travelers and expensive advertising. Many emphasize trusts, combinations and trade agreements with middlemen. Others, on the contrary, cite "fool financial and corporate restrictive legislation." Still others allege overcapitalization. Others point to the increased wages, shortening of the hours of labor and lessening of the efficiency of labor by the trade-union policy of "go easy"—in short, the monopolization of labor by trade unions.

Many people believe that an explanation lies in cold storage, giving the control of prices into the hands of cold storage organizations and displacing the "neighborhood farmer." On the other hand the cold storage dealers tell us that it was fear of radical legislation affecting their business in the early part of 1911 which deterred them from placing the usual supplies in cold storage; hence, they say, the present high prices which they hope "will teach the public a lesson."

Some cite the adulteration and debasement of quality in foods.

³ *Purchasing Power of Money*, (1911), ch. 12.

Others cite the opposite, namely, an improvement in the quality of food, due to the enforcement of the pure food law; sanitary requirements as to the cleanliness of milk; the introduction of individual bottles and packages; the elimination of "renovated butter"; the unsanitary conditions of labor; the prohibition of the sale to restaurants of "rots and spots" of eggs; the tuberculin testing of cattle and the destruction of tainted meat. According to this theory it is simply that we are getting better living and have to pay more for it.

A recent newspaper states that one reason for the rise in the cost of living is that farmers' wives no longer compete in butter making or poultry raising, which was formerly the custom, for the sake of pin money.

Many complain of legislation affecting the tariff. Others find the cause is an increased standard of living, increase of luxury and extravagance. According to this theory the condition is "not the high cost of living but the cost of high living." Still others allege the increase of the world's armaments and governmental extravagance in general; the cost of the South African and Russo-Japanese wars; the increasing public burden of old-age pensions, and of better pauper institutions, insane asylums, hospitals, jails, and other public institutions generally; the cost of insurance against accident and disease; the burden of unemployment and crime; investments in public undertakings, such as railways, public works, etc. (mentioned particularly in the Canadian report).

So far as most of these alleged causes are concerned, we may say that each agent in the industrial world is trying to shield himself and accuse his neighbor. As the Massachusetts report says, the farmer accuses the middleman; the middleman, the jobber; the jobber, the wholesaler; the wholesaler, the retailer; the retailer, the consumer; the consumer, the trust; the trust, the labor unions; the labor unions, the tariff.

Almost equally diverse are the suggestions as to remedies. These range from suggestions for currency reform⁴ to raising potatoes in empty city lots. In France a bill has recently been introduced enabling cities to start butcher and baker shops as a remedy for the rise in the cost of living. The Massachusetts re-

⁴ *Purchasing Power of Money*, ch. 13.

port approves of facilities for trolley freight service. A council of cabinet ministers in France, on September 6, suggested that the railway companies should reduce rates on vegetables and fresh fish and increase rates on fodder for export, the object of the latter being to keep fodder at home and thus cheapen the cost of raising cattle for meat. They also advocated measures to facilitate the importation of cattle from the colonies Algeria and Tunis, and, in general, to revise the regulations concerning the importation of meat. In Germany there is a movement demanding lower duties on food. In Switzerland a movement was started to bring in frozen meats from Uruguay. Mayor James R. Hanna of Des Moines states that he has already cut down the cost of living in Des Moines from 20 to 50 per cent by means of an open city market, allowing the truck farmers to reach the consumer directly instead of via the middleman. Mayor Shank of Indianapolis has sold potatoes at cost and advocated the Pingree plan of growing potatoes on empty city lots, and the establishment of municipal slaughter houses. The Massachusetts report emphasizes the enormous room for improving human earning capacity by reducing human disease. The newspapers state that a Brooklyn lady has solved the problem for herself and neighbors by instituting a housekeepers' market club which buys at wholesale and distributes to its members. Another proposed remedy suggested is for the individual to lower the standard of living or rather to live "the simple life." A recent book called *One Way Out* maintains that the chief cost of living is imposed by one's neighbors through social obligations and can be avoided by "emigrating" from such an environment. One person maintains that he is living at an expense for food of only 26 cents a week, his diet consisting of oatmeal, peanut butter and crackers.

The American Federation of Labor has passed a resolution recommending the repeal of the tax on oleomargarine. It has been suggested that cold storage plants should be prohibited from keeping foods in cold storage beyond a certain time limit, partly as a sanitary measure and partly in the belief that this would lower prices; while, on the other hand, the French ministers in their recent council advocated the almost opposite policy of granting subsidies to such companies. There has been urged the prohibition of the sale of cold storage food products for fresh food. The Massachusetts Commission advocates the revision of

regulations as to weights and measures, so as to prevent the short weight of coal in the retail trade and the use of packages containing short weight of commodities.

Those chiefly interested in the project of an international commission on the cost of living do not agree on any remedy or remedies. They are agreed merely on the importance of the questions involved. They believe that their own disagreements are a sufficient reason for an authoritative investigation. The proposed commission would not, of course, be authorized to bind the various nations represented to the adoption of any plans that might be recommended. It would simply aim to express the best unbiased, scientific conclusions which they may find from a more complete study of the facts than has hitherto been made. Should it happen that the commission reported favorably any plan requiring political coöperation, the way would then be open for the various nations to enter into diplomatic negotiations looking toward such coöperation.

In view of the colossal proportions of the problem and its significance to hundreds of millions of human beings, in view of the world-wide interest in it, and in view of the ominous prediction of many experts that the rise of prices is destined to continue, it is submitted that to secure such a commission as here proposed is worth the best efforts of all public spirited citizens.